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OPEN MEETING



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MEMORANDUM

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TO: THE COMMISSION

FROM: Utilities Division

DATE: August 8, 2001

2001 AUG -8 P 12:36

AZ CORP COMMISSION  
DOCUMENT CONTROL

RE: ARIZONA PUBLIC SERVICE COMPANY APPLICATION FOR APPROVAL OF A REVISED TARIFF, SCHEDULE NO. 1, TERMS AND CONDITIONS FOR STANDARD OFFER AND DIRECT ACCESS SERVICES (DOCKET NO. E-01345A-01-0455)

On June 1, 2001, Arizona Public Service Company ("APS" or "Company") filed an application for approval of a revised tariff, Schedule No. 1, Terms and Conditions for Standard Offer and Direct Access Services. On June 8, 2001, APS filed an amended revised Schedule No. 1 to correct the language in the initial filing. On June 26, 2001, the Commission ordered that the application be suspended until August 30, 2001. On July 19, 2001, APS filed an amended revised Schedule No. 1 ("tariff") to supercede the filing made on June 1, 2001.

Under the proposed tariff, APS proposes changing the financial instrument it uses to determine the interest paid to customers on cash deposits held by the Company. APS currently calculates interest on deposits based on the one-year Treasury bill. Under the proposal, APS will calculate the interest based on the one-year Constant Maturity Treasury rate ("CMT"), in effect on the first business day of each year, as posted on the Federal Reserve website. APS is proposing the change because the one-year Treasury bill was recently eliminated by the Treasury Department. The final auction of the security took place on February 27, 2001.

The one-year CMT yield estimates the interest rates at which the Treasury could borrow money at a one-year maturity under market conditions prevailing at the close of business each day. The yield curve relates the yield on a security to its time to maturity, based on the daily closing market bid yields. Based on historical data for the first business day of each year for 1999 through 2001, the CMT rate is an average of 0.21 percent higher than the one-year Treasury bill. Staff believes replacing the one-year Treasury bill rate with the one-year CMT rate is reasonable.

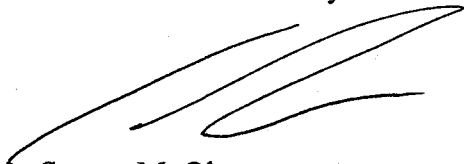
Staff recommends approval of the revised Schedule No. 1.

THE COMMISSION

August 8, 2001

Page 2

In addition, Staff recommends that APS file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.



Steven M. Olea  
Acting Director  
Utilities Division

SMO:EAA:bsl/CCK

ORIGINATOR: Erinn Andreassen

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

IN THE MATTER OF ARIZONA PUBLIC	)	DOCKET NO. E-01345A-01-0455
SERVICE COMPANY APPLICATION	)	
FOR APPROVAL OF A REVISED TARIFF,	)	DECISION NO. _____
SCHEDULE NO. 1, TERMS AND	)	
CONDITIONS FOR STANDARD OFFER AND	)	
DIRECT ACCESS SERVICES	)	<u>ORDER</u>

Open Meeting  
August 27 and 28, 2001  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On June 1, 2001, APS filed an application for approval of a revised tariff, Schedule No. 1, Terms and Conditions for Standard Offer and Direct Access Services. On June 8, 2001, APS filed an amended revised Schedule No. 1 to correct the language in the initial filing. On June 26, 2001, the Commission ordered that the application be suspended until August 30, 2001. On July 19, 2001, APS filed an amended revised Schedule No. 1 ("tariff") to supercede the filing made on June 1, 2001.
3. Under the proposed tariff, APS proposes changing the financial instrument it uses to determine the interest paid to customers on cash deposits held by the Company. APS currently calculates interest on deposits based on the one-year Treasury bill. Under the proposal, APS will calculate the interest based on the one-year Constant Maturity Treasury rate ("CMT"), in effect on the first business day of each year, as posted on the Federal Reserve website. APS is proposing the change because the one-year Treasury bill was recently eliminated by the Treasury Department. The final auction of the security took place on February 27, 2001.
- ...

4. The one-year CMT yield estimates the interest rates at which the Treasury could borrow money at a one-year maturity under market conditions prevailing at the close of business each day. The yield curve relates the yield on a security to its time to maturity, based on the daily closing market bid yields. Based on historical data for the first business day of each year for 1999 through 2001, the CMT rate is an average of 0.21 percent higher than the one-year Treasury bill. Staff believes replacing the one-year Treasury bill rate with the one-year CMT rate is reasonable.

5. Staff recommends approval of the revised Schedule No. 1.

6. In addition, Staff recommends that APS file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.

#### CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. Approval of the proposed tariff does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated August 8, 2001, concludes that it is in the public interest to approve the tariff.

#### ORDER

IT IS THEREFORE ORDERED that the proposed tariff be and hereby is approved.

IT IS FURTHER ORDERED that APS shall file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.

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1 IT IS FURTHER ORDERED that approval of the agreement at this time does not  
2 guarantee any future ratemaking treatment of APS' tariff.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

5  
6 CHAIRMAN

COMMISSIONER

COMMISSIONER

7 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
8 Secretary of the Arizona Corporation Commission, have  
9 hereunto, set my hand and caused the official seal of this  
10 Commission to be affixed at the Capitol, in the City of  
11 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

12 \_\_\_\_\_  
13 BRIAN C. McNEIL  
14 Executive Secretary

15 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: Arizona Public Service Company

2 DOCKET NO. E-01345A-01-0455

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